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CENTRAL INTELLIGENCE AGENCY

REPORT NO. [REDACTED]

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COUNTRY Austria/Czechoslovakia/USSR

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of Polichemia, who was not able to attend the discussions. The object of the negotiations was to establish the terms of a compensation agreement whereby USIA would exchange scrap iron and rolled iron sheeting for rayon stockings, rubber products, and other consumer goods of Czechoslovak manufacture.

2. The following is a translation from the Czech of a confidential letter from ~~KOKSTEIN~~, Chief of the Consular Department of the Czech Legation in Vienna, to HRUBISE of the Ministry of Foreign Trade in Prague which deals in part with these negotiations.

TRANSLATION

14 January 1949

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Ministry of Foreign Trade
To the hand of Mr. S. HRUBISE

" Yesterday afternoon I was called by SHEVCHENKO of USIA, who sometimes contacts Mr. BILLER and sometimes me. SHEVCHENKO inquired about the following things:

a. The necessary data concerning how much goods per month we would be able to send to them (the Russians). It is necessary for them to have this data, because their military section requires it. I have already informed him that it will be very difficult to give him this information because it will depend upon how much material we can get here and, eventually, from Bizonia. However, we have been informed of their request.

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c. SHEVCHENKO protested about the representative of Jawa and Ogaru, Mr. FABER, who recently demanded that USIA purchase motorcycles for the Austrian market from him with the explanation that he himself would not ask for a very large share of the personal profit from the transaction. ✓✓✓
 ✓✓✓ SHEVCHENKO was annoyed that he should be approached with such a proposal, as though he were an Austrian and, particularly, that he had been offered a large personal profit. The incident was inexplicable to him and I could offer no excuses. In consequence, SHEVCHENKO said that he had no confidence in the representatives of Czechoslovak national enterprises and export concerns, and that contracts would be made with them only in the event that they were confirmed by our government (that is, the Ministry of Foreign Trade), and only after they were guaranteed by us. I attempted to outline for him the whole system of our representatives and our national enterprises and explained that to establish our office as guarantors in such cases would be but to reintroduce the difficulties encountered with the Kotva piping. SHEVCHENKO replied that he would either request guarantees as above or would be willing to have me delegated as bondsman. Please advise me immediately in this matter.

d. They are willing to give us copper scrap from Bizonia as compensation for transportation and incidental costs figured on a basis of one percent. The negotiations are at this juncture. Please answer the above inquiries as soon as possible."

3. During January 1949, an Austrian with USIA connections, one POPOVICH, was in Prague negotiating with Centrotech, Prague II, Revoluční Nam. 3, regarding the purchase of Egyptian cotton for Czechoslovakia. The cotton, which is to be purchased by USIA firms or middlemen and paid for with Czech export goods, will be handled outside the channels normally controlled by the Austrian Government.

✓✓✓ 4. The Czech wholesale house, Velnakup Handels-A.G., Vienna III, ~~Hundwergasse~~ 28/30, with a branch office at Vienna I, Salzgries 17, which deals with USIA, is allegedly a center of Czechoslovak espionage activity. Company officials transmit intelligence material in the course of routine business trips to Bratislava and Znojmo. The commercial director, an Austrian named Franz BINDER, is charged with the assignment of keeping in touch with important persons in commercial circles. Another director of this firm, a well-known Viennese pastry ~~owner~~ owner of Czech origin, PEROUTKA, has a similar assignment. ** Included among the more important members of this firm are one POSPICHEL, deputy director, who maintains

owner of a delicatessen at Vienna III, Rasumofskygasse 5, residing at Vienna III, Weyrgasse 7.

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Comment: For previous information on Kohlstein's close collaboration with the Soviets, see

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